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COSTS and RETURNS



**Commercial
Cotton
Farms**

1962

This report is part of a continuing nationwide study of costs and returns on farms and ranches by type and size in some of the important farming regions of the United States, conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

Publications in this series are:

- Costs and Returns, Commercial Dairy Farms, Northeast and Midwest, 1962
- Costs and Returns, Commercial Corn Belt Farms, 1962
- Costs and Returns, Commercial Egg-Producing Farms, New Jersey, 1962
- Costs and Returns, Commercial Broiler Farms, Delmarva and Maine, 1962
- Costs and Returns, Commercial Cotton Farms, 1962
- Costs and Returns, Commercial Tobacco Farms, Coastal Plain, North Carolina, 1962
- Costs and Returns, Commercial Tobacco-Livestock Farms, Bluegrass Area, Kentucky, 1962
- Costs and Returns, Commercial Wheat Farms, Plains and Pacific Northwest, 1962
- Costs and Returns, Western Livestock Ranches, 1962

Summary statistics for all types of farms in the series are presented in the annual report, Farm Costs and Returns, Commercial Farms, by Type, Size, and Location, Agriculture Information Bulletin No. 230, Revised, 1963. In this annual report, information is given for 1962 with comparison with 1961 and 1960, and the period 1957-59.

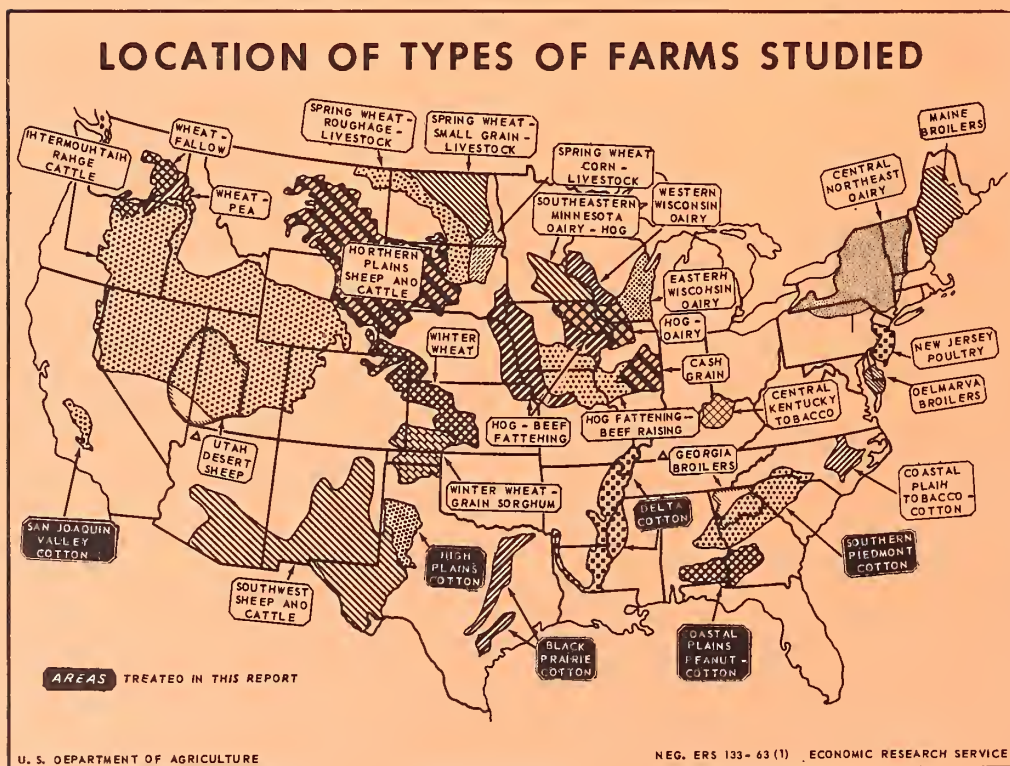


Figure 1

COSTS AND RETURNS

COMMERCIAL COTTON FARMS, 1962

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Changes in organization, costs and returns from 1961 to 1962 on typical cotton farms in important cotton-producing regions were small, with a few exceptions, compared with other years (fig. 1). The

few substantial changes in income which occurred brought incomes in line with the 5-year averages. Net farm incomes on these cotton farms in 1961 and 1962 were as follows:

	<u>1961</u>	<u>1962</u>	<u>Percentage change</u>
Cotton farms:			
Southern Piedmont.....	2,666	2,729	2
Mississippi Delta:			
Small	2,035	2,012	-1
Large-scale	30,349	30,986	2
Texas:			
Black Prairie	3,297	3,562	8
High Plains (nonirrigated).....	13,275	6,804	-49
High Plains (irrigated)	23,350	19,617	-16
San Joaquin Valley, California, irrigated:			
Cotton-general crop (medium-sized)....	24,491	25,602	5
Cotton-general crop (large).....	75,778	79,731	5
Cotton-specialty crop.....	13,516	31,374	132
Peanut-cotton farms,			
Southern Coastal Plains.....	4,112	3,747	-9

The largest increase (132 percent) occurred on cotton-specialty crop farms in the San Joaquin Valley of California. However, incomes were unusually low in 1961. At the other extreme, incomes on nonirrigated cotton farms in the High Plains were nearly reduced to half. Incomes on irrigated cotton farms in the same area declined 16 percent. In 1961, incomes on both types of farms in the High Plains were a record high. Incomes on the other seven types of cotton farms changed less than 10 percent in either direction.

Most of the changes in net farm income were due to variations in yields per acre and price-cost relationships. Although changes in yields per acre apparently were greatly influenced by differences in weather between the 2 years, there was evidence of a continuing upward trend in yields. Increased mechanization and use of improved practices such as chemical weed control and commercial fertilizer continued in 1962. But much of the influence of these factors on production, efficiency, and income was

frequently obscured by changes in weather.

Except for cotton-specialty crop farms in the San Joaquin Valley, the indexes of prices received for products sold changed less than 5 percent from 1961 to 1962. There was little or no change in the support level for the prices of crops supported by the Government. However, prices received for these products generally change somewhat more than the change in the support level.

The average support price for cotton was nearly the same in 1962 as in 1961. But the price received for lint varied from an increase of 1.3 cents per pound in the Southern Coastal Plains to a decrease of 1.6 cents per pound in the Black Prairie of Texas. This difference in price between areas was due to changes in support levels for specific grades of cotton and changes in the quality of cotton harvested. Except for cotton farms in the Southeast, prices received for cottonseed varied from 5 to 11 percent lower in 1962 than in 1961. On cotton farms in the Southern Piedmont and Southern Coastal Plains, prices received for cottonseed were 2 and 8 percent higher, respectively. Prices received for peanuts on the peanut-cotton farms in the Southern Coastal Plains were slightly lower than in 1961. Prices received for cattle, feed grains, and other crops were generally higher in 1962. In the San Joaquin Valley of California the price received for early potatoes increased from \$1.49 per hundred pounds in 1961 to \$2.25 per hundred pounds in 1962. Prices received for potatoes were unusually low in 1961 and slightly above the 1952-61 average in 1962.

Prices paid for items used in production on cotton farms generally averaged a little higher in 1962

than in the previous year. Wage rates for day labor and prices paid for farm machinery were the most important items leading to the increase in average prices paid.

The major modification of the Government program for cotton concerned the measurement of acreages when skip-row planted. This modification allowed the deduction of the space between rows of cotton when a minimum of two rows was skipped instead of four rows. In 1962 the proportion of the crop skip-row planted varied from less than 1 percent in parts of the Southeast to about one-quarter in California. In most sections of the country there was an increase in this practice from 1961 to 1962.

Total crops harvested either declined from 1961 to 1962 or increased less than total land farmed. The only substantial change in acreages of individual crops harvested occurred on cotton farms in the San Joaquin Valley. On both the medium-sized and large cotton-general crop farms there was a sizeable shift from alfalfa to the feed grains; mostly barley. On cotton-specialty crop farms in the same area there was a shift from potatoes and alfalfa to feed grains. These changes followed the unusually low prices received for potatoes and alfalfa in 1961.

The upward trend in total farm investment continued in 1962. The increase over 1961 ranged from 2 to 9 percent. Although the investment in working capital was generally higher than a year earlier, most of the increase in investment was due to higher land values per acre and an increase in total land farmed.

Cotton Farms, Southern Piedmont

Changes in income and related factors on cotton farms in the

Southern Piedmont were generally small. Net farm income was about 2 percent higher than a year earlier (table 1) and the highest since 1958. The increase in income was due to higher yields per acre and increased prices received for cottonseed, corn, and cattle. The yield of cotton was 11 percent higher than in 1961 and was the third highest on record. But the quality of cotton was lower.

Net farm production did not change appreciably from 1961 to 1962. The increase in yield per acre of cotton was offset by the reduction in the acreages and yields per acre of crops other than cotton.

The small increase in cash expenses resulted from increased picking and ginning costs for the additional volume of cotton.

Small and Large-Scale Cotton Farms, Mississippi Delta

Net farm incomes on small and large-scale cotton farms in the Mississippi Delta changed very little from 1961 to 1962 (table 2). There was a decrease of only 1 percent on the small farms and an increase of about 2 percent on the large-scale farms.

Increased use of chemical weed control and mechanical cotton pickers were probably the most important developments on cotton farms in this area in 1962. Largely as a result of these developments, production per hour of man labor increased 9 and 23 percent on the small and large-scale farms, respectively. Total labor used declined 10 percent on the small farms and 21 percent on the large-scale farms. But increased quantity of materials and equipment used to replace this labor partly offset the effects of these developments on

production per unit of input. This index increased only 2 percent on the large-scale farms and remained unchanged on the small farms.

On both sizes of farms, acreages and yields per acre of cotton were about the same in 1962 as in 1961. The reduction in average yields per acre of about 4 percent was due to lower yields of corn and soybeans.

Prices received for cotton lint were about the same in 1962 as in 1961. But the prices received for cottonseed declined about 6 percent. Except for milk and eggs, prices received for other commodities were higher in 1962 than a year earlier. The overall index of prices received declined on small cotton farms but increased slightly on large-scale farms. This difference is due to the greater importance of soybeans and corn on the large-scale farms.

Prices paid for items used in production averaged only slightly higher than a year earlier. Increased prices paid for machinery and higher wage rates were partly offset by lower prices paid for some kinds of seed, insecticides, and fertilizer.

Net farm production was slightly lower in 1962. This was due mostly to lower yields per acre.

Although participation in the feed grain program was greater in 1962 than in 1961, this program was relatively unimportant on these farms.

Cotton Farms, Black Prairie, Texas

In 1962, net farm incomes on cotton farms in the Black Prairie

Table 1.- Organization, production, costs and returns,
cotton and peanut-cotton farms, Southeast, 1961 and 1962

Item	Unit	Cotton farms, Southern Piedmont		Peanut-cotton farms, Southern Coastal Plains	
		1961	1962 ^{1/}	1961	1962 ^{1/}
Cash receipts.....	Dollar	5,603	5,831	7,411	7,156
Cash expenditures.....	do.	3,693	3,760	3,966	4,211
Net cash income.....	do.	1,910	2,071	3,445	2,945
Net value of perquisites.....	do.	683	667	506	516
Net change in inventory.....	do.	73	-9	161	286
Net farm income.....	do.	2,666	2,729	4,112	3,747
Total farm capital, Jan. 1.....	do.	26,300	28,660	17,180	18,200
Total labor used.....	Hour	4,820	4,840	3,910	4,000
Land in farm.....	Acre	220	227	184	191
Cropland harvested.....	do.	68	64	71	71
Crops harvested:					
Cotton.....	do.	26	26	14	14
Peanuts.....	do.	---	---	22	22
Corn.....	do.	13	12	^{2/} 33	^{2/} 31
Oats.....	do.	13	12	---	---
Wheat.....	do.	7	6	---	---
Crop yields per harvested acre:					
Cotton.....	Pound	350	388	356	419
Peanuts.....	do.	---	---	1,237	1,119
Corn.....	Bushe1	31	30	43	32
Oats.....	do.	44	42	---	---
Wheat.....	do.	28	25	---	---
Prices received:					
Cotton.....	Dollar	.340	.339	.321	.334
Cottonseed.....	do.	46.77	47.65	41.20	44.40
Peanuts.....	do.	---	---	.106	.105
Corn.....	do.	1.20	1.30	1.15	1.25
Oats.....	do.	.76	.76	---	---
Wheat.....	do.	1.78	1.92	---	---
Index numbers (1957-59=100):					
Crop yields per acre.....	---	108	111	120	111
Net farm production.....	---	118	118	142	133
Production per hour of man labor.....	---	114	114	127	117
Production per unit of input.....	---	109	109	115	107
Prices received for products sold.....	---	100	102	101	104
Prices paid, including wages to hired labor..	---	^{3/} 103	^{3/} 104	98	102

^{1/} Preliminary. ^{2/} Includes corn hogged off. ^{3/} Includes cropper labor.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

Table 2.- Organization, production, costs and returns,
cotton farms, Mississippi Delta, 1961 and 1962

Item	Unit	Small		Large-scale	
		1961	1962 ^{1/}	1961	1962 ^{1/}
Cash receipts.....	Dollar	4,265	4,263	74,555	73,442
Cash expenditures.....	do.	2,720	2,755	46,197	44,652
Net cash income.....	do.	1,545	1,508	28,358	28,790
Net value of perquisites.....	do.	487	461	1,207	1,281
Net change in inventory.....	do.	3	43	784	915
Net farm income.....	do.	2,035	2,012	30,349	30,986
Total farm capital, Jan. 1.....	do.	13,840	14,470	214,440	218,410
Total labor used.....	Hour	3,500	3,160	34,260	27,140
Land in farm.....	Acre	59	59	1,000	1,000
Cropland harvested.....	do.	38	38	623	620
Crops harvested:					
Cotton.....	do.	18	18	267	267
Soybeans.....	do.	14	15	275	277
Corn.....	do.	4	3	19	18
Oats.....	do.	1	1	41	36
Crop yields per harvested acre:					
Cotton.....	Pound	484	488	551	550
Soybeans.....	Bushel	22	21	24	23
Corn.....	do.	35	27	50	37
Oats.....	do.	46	45	47	49
Prices received:					
Cotton.....	Dollar	.331	.328	.327	.328
Cottonseed.....	do.	50.39	47.32	50.99	48.16
Soybeans.....	do.	2.19	2.26	2.23	2.28
Corn.....	do.	1.16	1.20	1.15	1.21
Oats.....	do.	.67	.71	.65	.69
Index numbers (1957-59=100):					
Crop yields per acre.....	---	112	108	111	107
Net farm production.....	---	118	117	119	117
Production per hour of man labor.....	---	109	119	124	153
Production per unit of input.....	---	106	106	114	116
Prices received for products sold.....	---	103	102	104	105
Prices paid, including wages to hired labor..	---	101	103	^{2/} 104	^{2/} 105

^{1/} Preliminary. ^{2/} Includes cropper labor.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

of Texas averaged \$3,562 per farm and were the second highest on record. They were 8 percent above returns in 1961. The increase in net farm income was due mostly to an increase in cotton production. Both the acreage harvested and yield per acre increased over the previous year. Acreage abandonment of cotton was less than in 1961. Also the trend toward greater mechanization of cotton harvesting continued through 1962.

Total cropland harvested on cotton farms in the Black Prairie increased less proportionately than the total land farmed. Also there was a shift from oats to corn and grain sorghum. Participation in the feed grain program was about the same relative to total land farmed as in 1961.

Price-cost relationships were less favorable in 1962 than in 1961. Prices received averaged about 4 percent lower and prices paid were 1 percent higher than in the previous year. Prices received for cotton lint and seed declined 5 and 11 percent, respectively. Lower quality cotton was an important factor leading to the reduction in price of lint. Except for cattle and feed grains, other prices received also were lower than in the previous year.

The increase in prices paid was due to higher rates paid for hired labor and for feed and farm machinery.

Cash farm expenditures were about 11 percent higher than in 1961. A large part of this increase was associated with the increase in production of cotton. Inputs of labor, machine work hired, ginning, and fertilizer were larger.

Nonirrigated and Irrigated Cotton Farms, High Plains, Texas

From 1961 to 1962 net farm incomes on nonirrigated and irrigated cotton farms in the High Plains of Texas declined 49 and 16 percent, respectively (table 3). Most of the reduction in income was due to lower yields per acre--particularly for crops grown without irrigation. The yield of nonirrigated cotton declined 36 percent but the yield of irrigated cotton was practically unchanged. However, compared with 1961, more irrigation water per acre was used to maintain the yields of cotton. Yields of grain sorghum declined on both nonirrigated and irrigated land. Yields of both cotton and grain sorghum were record high in 1961.

Less favorable price-cost relationships in 1962 than in 1961 also contributed to the reduction in net farm incomes. Prices of cotton lint and seed declined 4 and 6 percent, respectively. The reduction in price of lint was partly due to lower quality of lint.

Wage rates for hired labor and prices of farm machinery were higher than a year earlier. Wage rates were about 10 percent higher but the effect of this change on net farm incomes was partly offset by the continued trend toward mechanization.

Greater abandonment of cotton and fewer acres of crops harvested were additional factors causing lower net farm incomes on nonirrigated cotton farms in 1962. On the irrigated cotton farms the acreage of crops harvested did not increase as much as total land farmed.

Table 3.- Organization, production, costs and returns, cotton farms, Texas, 1961 and 1962

Item	Unit	High Plains				Black Prairie	
		Nonirrigated		Irrigated			
		1961 1/	1962 2/	1961 1/	1962 2/	1961 1/	1962 2/
Cash receipts.....	Dollar	20,623	12,807	39,116	36,714	7,519	8,229
Cash expenditures.....	do.	8,602	6,808	16,555	17,787	4,861	5,383
Net cash income.....	do.	12,021	5,999	22,561	18,927	2,658	2,846
Net value of perquisites.....	do.	654	662	814	811	576	578
Net change in inventory.....	do.	600	143	-25	-121	63	138
Net farm income.....	do.	13,275	6,804	23,350	19,617	3,297	3,562
Total farm capital, Jan. 1.....	do.	60,790	63,480	117,270	120,180	49,630	52,380
Total labor used.....	Hour	4,400	3,160	7,300	7,130	3,060	3,200
Land in farm.....	Acre	436	447	378	387	261	274
Cropland harvested.....	do.	289	276	274	277	151	152
Crops harvested:							
Cotton: Nonirrigated.....	do.	137	132	26	27	78	81
Irrigated.....	do.	---	---	150	154	---	---
Grain sorghum: Nonirrigated.....	do.	145	137	53	50	20	22
Irrigated.....	do.	---	---	43	44	---	---
Corn.....	do.	---	---	---	---	20	21
Oats.....	do.	---	---	---	---	20	16
Crop yields per harvested acre:							
Cotton: Nonirrigated.....	Pound	321	206	321	206	161	203
Irrigated.....	do.	---	---	590	591	---	---
Grain sorghum: Nonirrigated.....	Cwt.	18	11	20	11	20	21
Irrigated.....	do.	---	---	38	33	---	---
Corn.....	Bushel	---	---	---	---	31	31
Oats.....	do.	---	---	---	---	31	25
Prices received:							
Cotton.....	Dollar	.315	.303	.315	.303	.315	.299
Cottonseed.....	do.	50.43	47.18	50.43	47.18	52.94	47.20
Grain sorghum.....	do.	1.43	1.47	1.43	1.47	---	---
Corn.....	do.	---	---	---	---	1.16	1.18
Cattle.....	do.	20.75	21.44	20.75	21.44	20.75	21.44
Index numbers (1957-59=100):							
Crop yields per acre.....	---	137	89	122	114	93	106
Net farm production.....	---	147	92	132	126	109	123
Production per hour of man							
labor.....	---	114	99	121	118	116	125
Production per unit of input.....	---	123	90	120	109	98	103
Prices received for products							
sold.....	---	106	104	107	105	106	103
Prices paid, including wages							
to hired labor.....	---	105	110	105	108	104	105

1/ Revised. 2/ Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

On both types of farms participation in the feed grain program was greater than a year earlier.

Net farm production on nonirrigated cotton farms was 37 percent below 1961 and 3 percent below the 1957-59 average. This was a result of lower yields per acre, increased participation in the feed grain program, and reduced acreage of crops harvested. On the irrigated cotton farms net farm production was only 5 percent below the record established in 1961. The continuing upward trend in the size of farm partly offset the factors causing lower net farm production.

Medium-Sized and Large Cotton-General Crop Farms, San Joaquin Valley, California

Net farm incomes on medium-sized and large cotton-general crop farms were about 5 percent higher in 1962 than in 1961 (table 4). But they were about 3 percent below the 1957-61 average. Higher yields per acre were the most important factor leading to the increase in net farm incomes. The yield of cotton increased from 964 to 1,033 pounds per acre, an increase of 7 percent. The yield of barley increased 14 percent.

Prices received for alfalfa hay and feed grains were higher in 1962 than in 1961 but these increases were more than offset by the decline in prices received for cotton lint and seed. Lower quality of cotton was a factor leading to lower prices received for cotton lint. Even though the price received for alfalfa hay was 4 percent higher than in 1961, it was 11 percent below the 1956-60 average.

Prices paid for items used in production averaged slightly higher than

a year earlier. This change was due mostly to higher rates paid for hired labor, tax rates, and prices paid for machinery, ginning, and some kinds of seed and fertilizer.

The acreages of cotton and total crops harvested changed very little from 1961 to 1962. But there was considerable shift from alfalfa to feed grains. On the medium-sized cotton-general farm the acreage of alfalfa declined 12 acres and the combined acreage of barley and corn increased 9 acres. This shift followed a year in which prices received for alfalfa were 14 percent below the average of the previous 5 years--1956-60 and the lowest since 1954. On farms such as those with high irrigation costs, returns above variable costs for alfalfa in 1961 probably dropped below the corresponding returns for feed grains. In these situations alfalfa had been the better alternative in most of the preceeding years. Although the total acreage of alfalfa hay in the area declined from 1961 to 1962, this change did not occur on all cotton-general crop farms. About 40 percent of the operators of medium-sized cotton-general crop farms reported the same acreage of alfalfa in both years and nearly 15 percent reported a larger acreage in 1962 than in 1961. This reflects both variations in cost structures among farms and differing price expectations of farm operators in the area. Factors affecting cost structure included: (1) variation in irrigation costs among areas and (2) whether or not good stands of alfalfa remained from the previous year.

On the large cotton-general crop farms the acreage of alfalfa declined by 48 acres or 15 percent and the acreage of feed grains increased by 26 acres or 9 percent.

Table 4.- Organization, production, costs and returns, cotton farms,
San Joaquin Valley, California (irrigated), 1961 and 1962

Item	Unit	Cotton-general crop				Cotton-specialty crop	
		Medium-sized		Large			
		1961	1962 <u>1/</u>	1961	1962 <u>1/</u>	1961	1962 <u>1/</u>
Cash receipts.....	Dollar	69,742	71,300	221,215	228,596	98,093	106,974
Cash expenditures.....	do.	45,943	47,094	146,465	151,849	85,262	76,926
Net cash income.....	do.	23,799	24,206	74,750	76,747	12,831	30,048
Net value of perquisites.....	do.	692	692	1,028	1,028	685	685
Net change in inventory.....	do.	0	704	0	1,956	0	641
Net farm income.....	do.	24,491	25,602	75,778	79,731	13,516	31,374
Total farm capital, Jan. 1.....	do.	275,530	298,290	944,860	1,028,060	278,360	301,060
Total labor used.....	Hour	10,010	9,860	30,350	29,810	13,220	12,240
Land in farm.....	Acre	342	346	1,252	1,269	342	346
Cropland harvested.....	do.	322	320	1,124	1,136	322	320
Crops harvested:							
Cotton.....	do.	135	136	437	443	125	127
Potatoes.....	do.	---	---	---	---	80	66
Alfalfa.....	do.	123	111	319	271	66	63
Barley.....	do.	39	44	281	305	51	64
Crop yields per harvested acre:							
Cotton.....	Pound	964	1,033	964	1,033	964	1,033
Potatoes.....	Cwt.	---	---	---	---	333	308
Alfalfa.....	Ton	5	5	5	5	5	5
Barley.....	Bushel	54.5	61.9	54.5	61.9	54.5	61.9
Prices received:							
Cotton.....	Dollar	.355	.338	.355	.338	.355	.338
Cottonseed.....	do.	55.90	50.50	55.90	50.50	55.90	50.50
Potatoes.....	do.	---	---	---	---	1.49	2.25
Alfalfa.....	do.	21.30	22.12	21.30	22.12	21.30	22.12
Barley.....	do.	1.08	1.10	1.08	1.10	1.08	1.10
Index numbers (1957-59=100):							
Crop yields per acre.....	---	94	100	95	101	103	103
Net farm production.....	---	98	103	99	106	107	98
Production per hour of man labor.....	---	97	104	95	104	103	102
Production per unit of input.....	---	95	101	93	99	97	97
Prices received for products sold.....	---	105	102	105	102	90	107
Prices paid, including wages to hired labor.....	---	108	110	107	109	109	109

1/ Preliminary.

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The proportion of these farms which reduced the acreage of alfalfa was larger than on the medium-sized cotton-general crop farms. Most of the large cotton-general crop farms are located in areas with relatively high irrigation costs whereas most of the medium-sized cotton-general crop farms are in areas with relatively lower irrigation costs. Because of the large amount of irrigation water used on alfalfa, high costs of water tend to favor the shift from alfalfa to barley as the price of alfalfa hay drops relative to the price of feed grains. Generally the ratio of barley to alfalfa is higher on the large than on the medium-sized cotton-general crop farms.

Cotton-Specialty Crop Farms, San Joaquin Valley, California

In 1962, net farm incomes on cotton-specialty crop farms averaged \$31,374 per farm. This was more than double the income in 1961 but only 3 percent above the 1957-61 average. The increase was due mostly to an increase in prices received for potatoes, alfalfa, and barley. The price received for potatoes increased from \$1.49 per hundred pounds to \$2.25 per hundred pounds--an increase of more than 50 percent. Prices received for alfalfa and barley increased by small amounts.

Prices paid for items used in production were about the same as in 1961. Wage rates and prices paid for farm machinery were higher but prices paid for seed potatoes and alfalfa seed were lower.

Yields of cotton and barley were higher than a year earlier but yields of potatoes and corn were lower.

The acreage of cotton was about the same in 1962 as in 1961. But

the acreage of potatoes and alfalfa declined 18 and 5 percent, respectively. The acreage of barley increased 25 percent. The increase in acreage of barley was about three-fourths of the reduction in combined acreage of potatoes and alfalfa. The shift from potatoes and alfalfa to barley followed a year of unusually low prices for the former products.

In 1961 gross receipts from potatoes averaged less than variable costs. But, the following year production of spring potatoes declined and the price received increased enough to give approximately normal returns above variable costs.

The change in acreage of potatoes was not uniform among individual farms. About 60 percent of the operators of cotton-specialty crop farms producing potatoes in 1961 reduced their potato acreage in 1962. About 10 percent discontinued production, 10 percent made no change, and 20 percent increased their acreages. A few operators who grew no potatoes in 1961 produced them in 1962.

A different situation prevailed for alfalfa hay in both 1961 and 1962. In 1961 returns per acre averaged a little higher than variable costs. Also returns above variable costs per acre of alfalfa hay averaged higher than the corresponding returns per acre of barley. But in some situations, such as high cost of irrigation, returns above variable costs were lower for alfalfa than for barley. When depreciation was included, returns from barley averaged higher than the returns from alfalfa.

The shift from potatoes and alfalfa hay to barley was largely responsible

for the overall reduction in net farm production from 1961 to 1962. Production per unit of input was the same in both years.

Peanut-Cotton Farms, Southern Coastal Plains

In 1962 net farm incomes on peanut-cotton farms in the Southern Coastal Plains were 9 percent below 1961. Net cash incomes were 15 percent lower than a year earlier. Yet incomes in 1962 were substantially above the average of the previous 5 years.

Except for the continued trend toward greater mechanization there was very little change in organization and practices on these farms. The reduction in net farm income was due mostly to 26 percent lower yields per acre of corn and 10 percent lower yields for peanuts. After supplying grain for livestock there was little grain left for sale. In contrast, yields of cotton increased 18 percent and were the second highest on record.

Prices received for products sold averaged 3 percent higher in 1962 than in 1961. Due chiefly to improved

quality, the price of cotton increased more than 1 cent per pound. Prices received for cottonseed, corn, and cattle also were higher than a year earlier.

Rates paid for hired labor, custom machine work, taxes, and prices paid for seed peanuts, machinery, and some kinds of fertilizer and insecticides were higher than in 1961. Prices paid for all items used in production averaged 4 percent higher. But, because cash expenditures were only about half of cash receipts, this increase in prices paid added less to cash expenditures than the 3 percent increase in prices received added to cash receipts.

Although net farm production declined 6 percent it was the second highest on record. Production per unit of input also declined but was the third highest on record.

Largely as a result of the reduced volume of production cash receipts declined about \$255 per farm. Cash expenditures increased \$245. This increase was mostly due to higher prices paid and expenses associated with harvesting the larger cotton crop.

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